



Coffeebreak

03/2019

What You Need To Know About Retirement Planning

Can The Yield Curve Predict A Stock Market Crash?

Providend Annual Retreat – Intentional 2019

Updates on Singapore Saving Bonds

Dear Client,

Many of us would had been accustomed to the digital lifestyle. The inseparable mobile device is shaping how modern cultures in the urban world will be, denial is futile. While not worshipping the flat screen and surrender myself to it, I believe not just in simple restraints but embracing it as a tool and not my master, it must work for me and not in me.

Many would had flipped back to the 2018 resolutions kept in your personal gadget, kept in the most unreachable folder in one of the most uncommon app. How much have you moved on from then? Achievements, triumphs, disappointments, unfavorable outcomes? In your work, family or future plans? This is where The Providend family takes over!

The summation of these, forms an inseparable relationship to your financial well-being, that requires a good navigator supplementing you in riding through the crests and troughs of your investments. To chart the necessary and sensible discipline, to keep in lieu of unforeseen but possible future needs under cost-worthy insurances and also the steadfast voyage plan on the holistic approach to secure the retirement you have been endearing for. Effective retirement planning does not depend solely on one's asset, but also on the income. These are in the good hands that Providend safeguards to ferry you to the destination.

No matter how this digital device have controlled you, work for you or confuse you. Regardless of how the market had affected you temporally. Find time and drop these concerns to Providend. Serenade with your loved ones for a vacation, it is a tool-down time and go into bonding mode. This is one family culture I know, will remain unchanged by the digital monster. And when you head for your escape or just simply shutting down the glaring screen, Providend continues to mind your financial concerns, because we have taken guardianship and recognized the state of your flocks and provided thorough care for your herds.

Wishing you a Blessed 2019.

Warmest regards,
COO of Providend

Moon Shary





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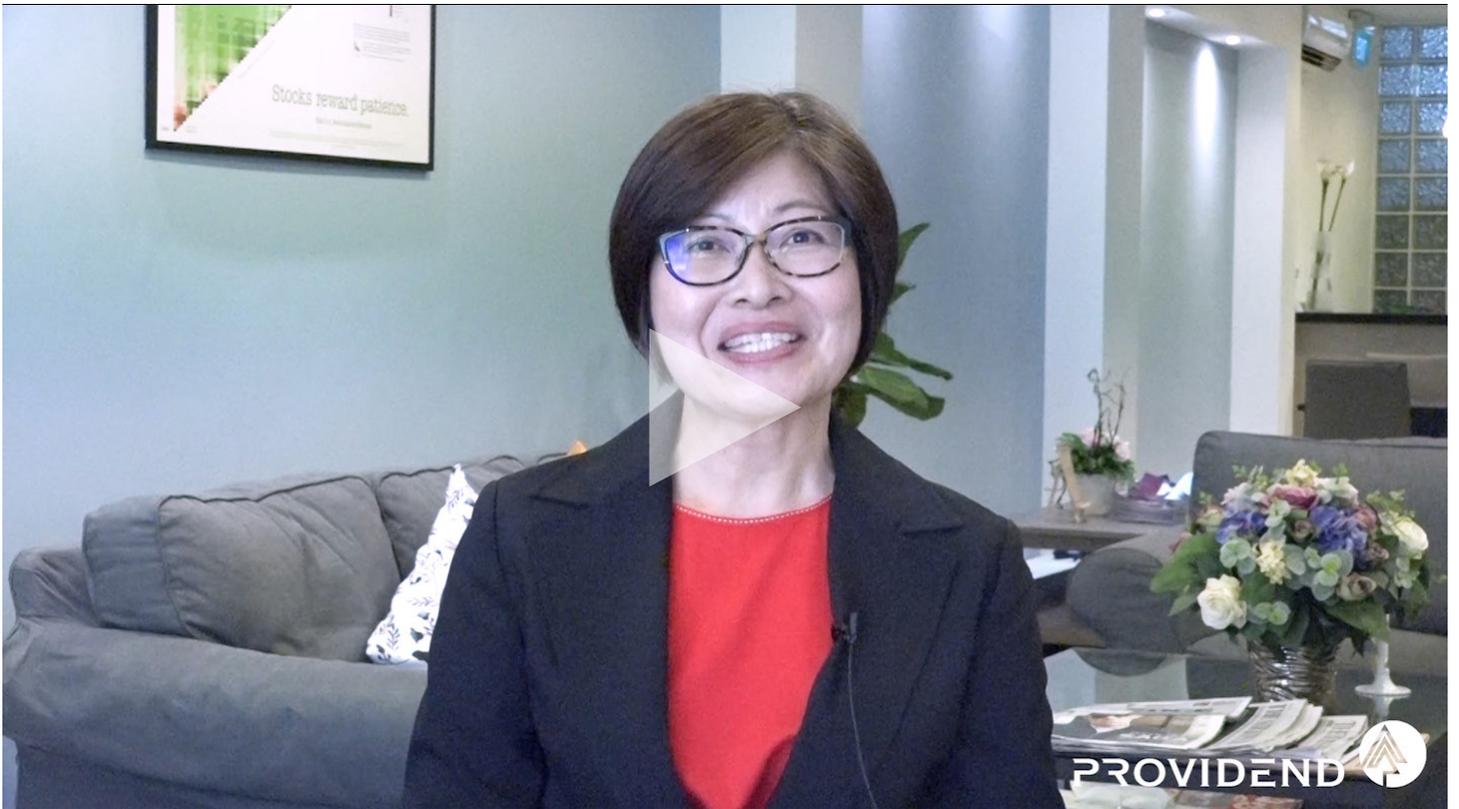
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Can The Yield Curve Predict The Stock Market Crash?

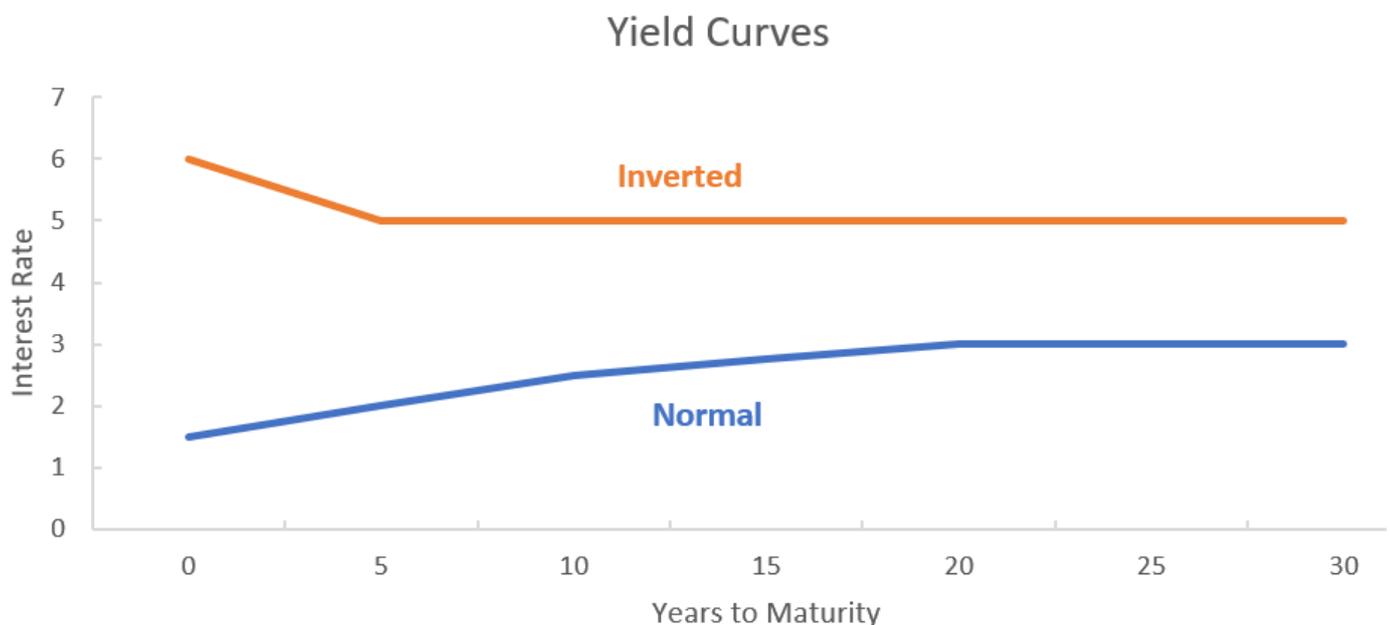
Sean Cheng, Portfolio Manager

Many investors enjoy predicting when the next stock market crash is going to occur. So anything that can apparently predict such a crash is often sought after by investors—much like adventurers used to search for the mythical Holy Grail. One stock crash indicator that has risen in popularity in recent years is known as the yield curve. But what is the yield curve and does it really help to predict stock market crashes? That's what we will look to explore in this article.

What is the yield curve?

The yield curve is basically a chart of U.S. government bonds of different maturities ranging from three months to thirty years. Normally, because bonds with shorter maturities have a lower yield than bonds with longer maturities, if you plot a chart from shorter to longer maturities then the chart has an upward slope from left to right.

However, at times the bonds with shorter maturities can have higher yields than bonds with longer maturities. In such a situation, then the yield curve is considered to be inverted, and it has been suggested that when this inversion occurs then a stock market crash is imminent.

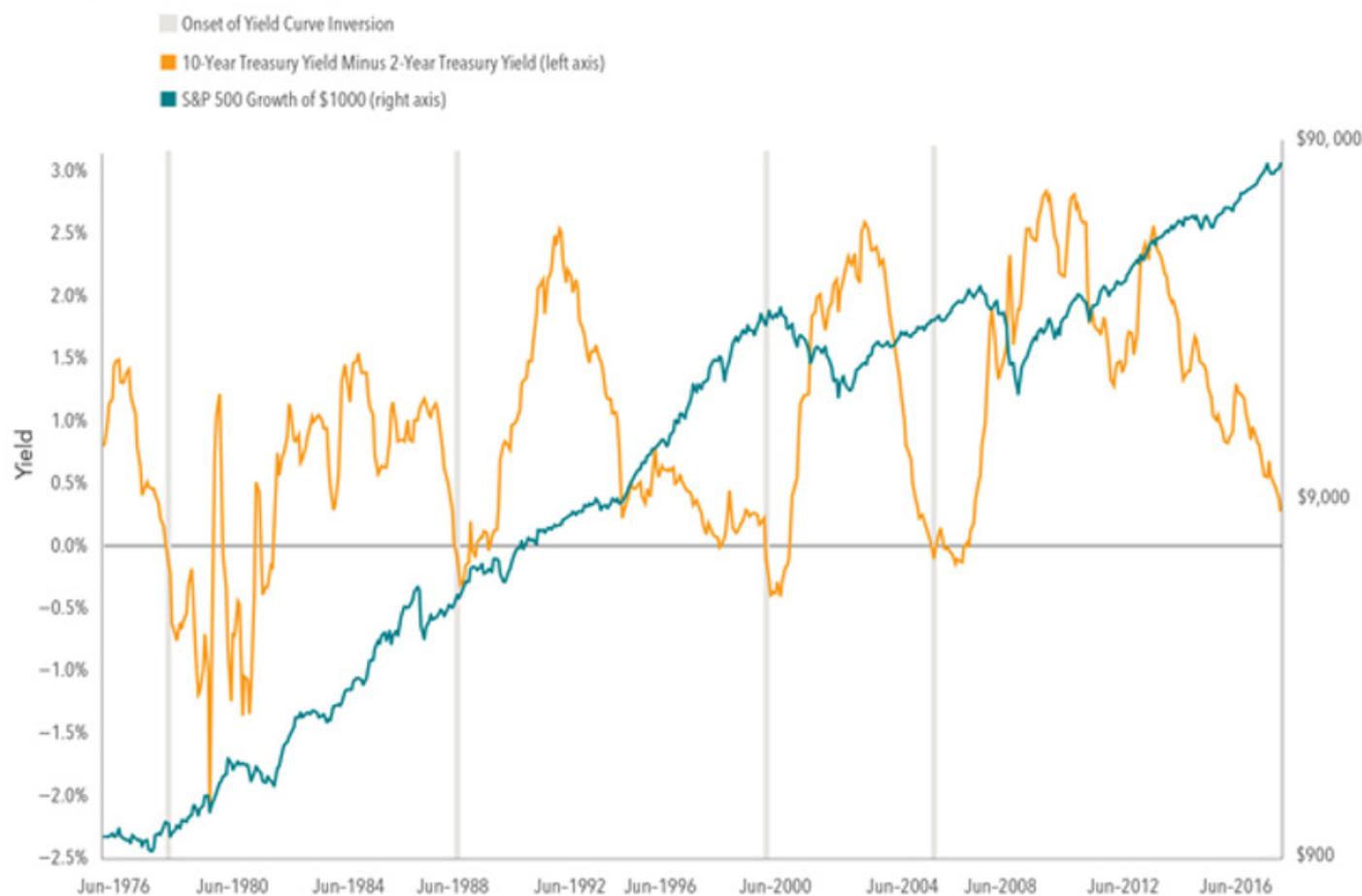


Most investors use the 2-year government bond yield as the short-dated bond, and the 10-year government bond as the longer-dated bond to observe this inversion, so we shall use them in our study. Now let's examine the evidence to see if the yield curve is indeed a reliable predictor of stock market crashes.

So does it really work?

In the chart below, the grey vertical bars show when the yield curve began to invert. Whenever the orange line is above 0%, it means that the yield curve is normal and not inverted, and when the orange line is below 0%, it means that the curve is inverted. The blue line is the value of an investor's portfolio if he had invested \$1,000 in June 1976.

Exhibit 1: Relation Between Yield Curve Inversions and US Stock Market Performance:
Monthly Data: June 1976–July 2018



US Treasury yield curve data (monthly) obtained from FRED, Federal Reserve Bank of St. Louis. S&P 500 Index © 2018 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

Past performance is no guarantee of future results.

Investor Tom

Let's imagine that an investor named Tom invests \$1,000 into the stock market in June 1976. He then decides to go to the beach and sip piña coladas every day for the next 42 years, leaving the \$1,000 he put into the stock market well alone. He sees something about a yield curve mentioned in the newspapers, but the only curves he has any real interest in belong to the ladies on the beach. Fast forward to July 2018 and this beach-bum strategy has allowed Tom's stock portfolio to grow from \$1,000 to about \$90,000 as seen from the blue line in the chart above.

Investor Jerry

Now let's imagine another investor, Jerry, who also invests \$1,000 into the stock market at the same time. While sipping on his piña colada at the same beach, Jerry happens to read the same article written in the newspapers about how the yield curve has inverted and it is time to sell everything and hold cash. Jerry is worried that the financial expert who wrote the article might be right and follows his advice on the yield curve, selling his stocks and holding cash as recommended.

Over the next 42 years, Jerry goes in and out of the market repeatedly, depending on whether the yield curve is positive or negative. There were occasions when he got out of the market expecting a crash which didn't come till many years later—which made him miss out on large gains—and other times when he got into the market just before the market started to decline. Looking back at how the market did on the whole over this entire period, he realizes that he would have enjoyed a far higher return had he just stayed invested through it all. He would also have been a lot less stressed and would have been able to better focus on other things in life that he was more passionate about, such as traveling and spending time with his family.

A Possible Counter Argument

Some people may argue that every significant stock market crash has been preceded by the yield curve inverts and that you could just use the yield curve indicator to tell you when to get out of the market, even if it does not tell you when to get back in. Let's see if this claim is indeed true.

Number of times the yield curve inverted between 1976 to 2018*	Number of times the stock market crashed within 2 years of yield curve inversion**	Number of times the stock market didn't crash within 2 years of yield curve inversion**
8	3	5

Data Source: Bloomberg.

*Excludes inversions with negative yield curve spreads (U.S. 10Y minus U.S. 2Y Treasury Yields) that do not exceed -10bps before turning positive again. If the yield curve spread turns positive before inverting, and the positive spread is less than +10bps, the subsequent inversion is also excluded. This removes a large number of inversions that may be deemed to be insignificant.

**A stock market crash is defined in this instance as a bear market—meaning a decline of 20% or more.

Conclusion

As seen from the table above, the stock market only crashed three out of eight times (less than 50%) within two years of the yield curve inverts. It can take many years before the market actually crashes, which, if I may suggest, makes it a rather unreliable indicator. Even a broken clock will tell you the correct time if you wait long enough.

And so, in matters of investing—even if perhaps not in too many other endeavours in life—it appears that being a beach-bum can be both relaxing and profitable. So just invest in a cost-efficient, diversified portfolio, sit back on that deck chair, and relax. Your portfolio may ebb and flow like the waves before you, but over the long run, you'll be able to have your piña colada and drink it too.

03

Providend Annual Retreat — Intentional 2019

Helen Tran, Brand Management Assistant

At the start of every year, we would go on an Annual Retreat to bond with our Providend family, reflect on the previous year and kick start the new year. For this year, we embarked on a journey to Siem Reap, Cambodia.

After the three hours flight and a twenty minutes drive, we arrived at the beautiful Raffles Angkor Resort which was our home for the next three days.

We spent half the day attending Christopher's session where he went through how 2018 had been and his vision for Providend in 2019. After his session, we retired to our rooms for a short break before heading out for a scrumptious dinner of Cambodian cuisine. To end the night, some of us went to the night market nearby for a late-night shopping spree.





On our second day, Christopher went through the S.P.I.R.I.T. of Provident and every department came together to discuss how we can translate that into our everyday work. Following a nice lunch, we travelled to an archery range by Tuk-tuks for the next team bonding activity.

We learned how significant the bows and arrows were to the ancient Cambodians. The instructors taught us how to shoot with both the traditional and modern bows and arrows.

After a couple of rounds of practices, we got into our groups and battled it out to see who could score the highest points in an archery competition. To everyone's surprise, the Retreat Comm won!

To celebrate their victory, we went for a traditional Cambodian cuisine feast. Then we went to the night market for more shopping and drinks, while enjoying the bonding time with our colleagues.



Our last day at Siem Reap was rather relaxing. In the morning, we attended a three-course cooking class conducted by the chefs at the resorts. It was inspiring to see how much effort they put into teaching us.

For the second part of the day, we divided into two groups. The first group went to a spa to enjoy soothing treatments and relaxing massages, while the second group went to Angkor Wat to explore one of the Seven Wonders of The World.

That evening, we met back at the resort for the finale night. A tradition which was passed down since the early Provident days whereby the night, we each took turns to share our thoughts of the retreat and hopes for the new year.

Another Provident's tradition to show our gratitude towards each other with the I Appreciate You Cards where we had written down three things that we appreciate about each of our colleagues.

That wrapped up our Annual Retreat for 2019. It was really nice to get to know my colleagues outside of the work setting. And as we grew closer as a family, we can continue to serving our clients with their best interests in mind.



Oxfam Trailwalker New Zealand

25 March 2019

"To me, life is a journey and you must keep going. It's better to be with a team and best to be together for better good!"

– Vincent Tey



This year, four of our Client Advisers, Evelyn, Vincent, Eleanor and Chee Kian, are taking part in the Oxfam Trailwalker New Zealand on the 25 March 2019. They will be embarking on a 100km walk within 48 hours in all weather and across some rough terrain.

The past few months of training and fundraising have definitely brought the team closer together as they trekked across half of Singapore through the wee hours of the night, supporting and spurring one another on.

While this walk has definitely challenged our advisers physically, let's not forget that it also challenges poverty, inequality and injustice. It extends far beyond a sporting event, and that is where the true magic of it lies.

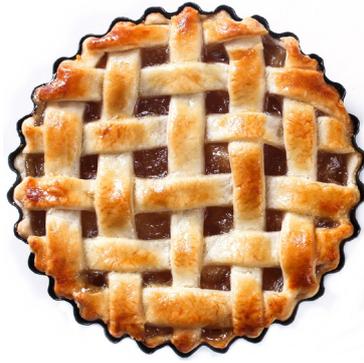
Our advisers have set off on Wednesday evening from Changi International Airport and are now preparing for this trailwalk in Whakatane. We are immensely proud of them for challenging themselves and poverty in this ultimate teamwork test!

04

Coffee Express

- Starting from 1 February 2019, you will be able to invest in the Singapore Saving Bonds (SSB) using Supplementary Retirement Scheme (SRS) funds.
- The SSB investment limit will also be raised from S\$100,000 to S\$200,000 per person.
- My Saving Bonds portal was launched in March 2019 to provide you with a summary of your SSB holdings. This portal will allow you to view your total investment in SSB, purchased using both cash and SRS funds.





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See You Latte!

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